

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCS for HB 1145 Pari-mutuel Permitholders

SPONSOR(S): Business & Consumer Affairs Subcommittee

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Business & Consumer Affairs Subcommittee		Morton	Creamer

SUMMARY ANALYSIS

The PCS removes the requirement for greyhound permitholders to conduct live greyhound races. It also removes live racing as a prerequisite to intertrack wager, cardroom and slot machine licensure and amends tax rates on greyhound permitholders.

The PCS is anticipated to have an indeterminate negative fiscal impact on state funds.

The PCS has an effective date of July 1, 2011.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

'Pari-mutuel wagering' refers to a method of wagering in which players bet among themselves, with winners dividing the total amount bet in proportion to the sums they have wagered individually and with regard to the odds assigned to particular outcomes.¹ In Florida, pari-mutuel wagering is authorized for jai alai, greyhound racing and various forms of horseracing.

Pari-mutuel activities are limited to operators who have received a permit from the Division of Pari-mutuel Wagering (Division) within the Department of Business and Professional Regulation, which authorizes them to conduct the type of activity listed (i.e. greyhound racing) at the location listed.² Permitholders apply for licenses annually to conduct pari-mutuel activities,³ cardrooms⁴ and slot machines.⁵

Greyhound racing was authorized in Florida in 1931. Greyhounds race around an oval track, typically chasing a lure, which is usually a mechanical hare or rabbit. "Racing greyhounds" are those which are bred, raised, or trained to be used in racing at a pari-mutuel facility and are registered with the National Greyhound Association.⁶

There are 21 pari-mutuel wagering permits authorizing greyhound racing throughout the state.⁷ Three of these permitholders are not actively running races: a permitholder in Key West that has been inactive since 1991, and permitholders in Palm Beach and Volusia counties that converted to greyhound racing permits from jai alai permits within the last year.

Greyhound permitholders apply for annual licenses to conduct live performances. A performance consists of at least 8 live races. A full schedule of live racing is at least 100 live evening or matinee performances.⁸

Florida is considered the nation's leader in greyhound racing. However, over the last ten years, the state's pari-mutuel wagering industry in general has experienced a 43.6 percent decline in handle, and total state revenue has decreased 54.6 percent; along with a 9.3 percent decrease in the number of racing days.⁹ For greyhound racing in particular:

	FY 1999/2000	FY 2009/2010
Total Handle	\$633,230,507	\$291,794,434
Total State Revenue	\$40,179,142	\$5,206,187
Live Performances	4,239	3,857
Racing Days	3,058	2,974

Other Gambling Activities

¹ Section 550.002(22), F.S.

² Section 550.054, F.S.

³ Section 550.0115, F.S.

⁴ Section 849.086, F.S.

⁵ Section 551.104, F.S.

⁶ Section 550.002(29), F.S.

⁷ Active greyhound permitholders are in Broward (2), Brevard, Clay, Dade, Duval, Escambia, Jefferson, Hillsborough, Lee, Palm Beach, Pinellas, Sarasota, Seminole (2), St. Johns, Volusia, and Washington counties.

⁸ Section 550.002(11), F.S.

⁹ Annual Reports of the Division of Pari-mutuel Wagering, available at <http://www.myfloridalicense.com/dbpr/pmw/PMW-Publications.html>.

Gambling is generally prohibited in Florida, but exceptions exist for pari-mutuel wagering permitholders who conduct full schedules of live racing and meet other requirements.

Wagering on races hosted at remote tracks is called intertrack (when both tracks are in Florida) or simulcast (when one track is out of state) wagering. In-state 'host tracks' conduct live or receive broadcasts of simulcast races that are then broadcast to 'guest tracks,' which accept wagers. To conduct intertrack or simulcast wagering, permitholders must conduct a full schedule of live racing and meet other requirements.

Cardrooms were authorized at pari-mutuel facilities in 1996.¹⁰ Cardrooms can only be offered at a location the permitholder is authorized to conduct pari-mutuel activities (which includes intertrack or pari-mutuel wagering). To be eligible for a cardroom license, permitholders must conduct at least 90% of the performances conducted the year they applied for the initial cardroom license or the prior year, if the permitholder ran a full schedule of live performances. There are cardrooms at 14 greyhound facilities.¹¹

Slot machines were authorized at certain Miami-Dade and Broward pari-mutuel facilities by constitutional amendment in 2004 and statute in 2010.¹² To offer slot machines, permitholders must conduct a full schedule of live racing. Slot machines are offered at two greyhound facilities.¹³

Taxation

Greyhound permitholders pay an \$80 daily license fee on each live and simulcast race, capped at \$500 per day. They also pay taxes on admissions, live, simulcast, intertrack, and intertrack simulcast races.

Each greyhound permitholder that conducts a full schedule of live races is eligible for various annual tax credits and exemptions:

Tax credit	\$360,000 except for Washington County Kennel Club, Pensacola Greyhound and Jefferson County Kennel Club, which receive \$500,000
Daily license fee credit	Number of live races times the \$80 daily license fee per race
Escheated ticket credit	25% of actual amount remitted to the state

Unused tax credits, with the exception of the escheated ticket credits, are transferrable once per state fiscal year to other permitholders which act as host tracks.

Proposed Changes

The PCS removes the requirement to perform live greyhound racing in order to qualify for other licenses, including those authorizing intertrack wagering, cardrooms and slot machines. It also allows greyhound permitholders to amend their license application until August 31, 2011, allowing for the reduction or elimination of live racing beginning this year.

Under the PCS, greyhound permitholders must have conducted live racing for 10 years before receiving a cardroom license. Greyhound permitholders that have converted jai alai permits are not subject to a live racing prerequisite.

Taxes

¹⁰ Section 20, Chapter 96-364, L.O.F.

¹¹ Daytona Beach Kennel Club, Derby Lane (St. Petersburg), Ebro Greyhound Park, Flagler Greyhound Track (Miami), Jefferson County Kennel Club, Mardi Gras Racetrack (Hollywood), Melbourne Greyhound Park, Naples/Ft. Myers Greyhound Track, Orange Park Kennel Club, Palm Beach Kennel Club, Pensacola Greyhound Track, Sarasota Kennel Club, St. Johns Kennel Club, and Tampa Greyhound Track.

¹² Section 23, Art. X, Fla. Const.; s. 551.102(4).

¹³ Flagler Greyhound Track (Miami) and Mardi Gras Racetrack (Hollywood).

The PCS allows for the transfer of tax credits at any time, instead of once each fiscal year. However, the \$360,000 or \$500,000 tax credit is not transferrable if the greyhound permitholder did not conduct 100 live performances of at least 8 races.

The PCS also amends taxes on greyhound permitholders as follows:

Taxed Activity	Current Tax Rate	Proposed Tax Rate
Live/On-track or Simulcast	5.5% tax on handle	3.45% tax on handle
Intertrack/Intertrack simulcast	5.5% tax on intertrack & simulcast handle	3.45% tax on handle
	0.5% of intertrack and simulcast handle if guest located outside market area of host and within market area of thoroughbred track conducting live meet	1.5% tax on handle
	3.9% of intertrack and simulcast handle for permitholder located in an area where there are only 3 permitholders in 3 contiguous counties	3.45% tax on handle
	3.9% of intertrack and simulcast handle for permitholders located in the same market area specified in 550.615(9)	
	7.6% tax on intertrack handle from charity performance at guest track within host's market area	No Change

Purses

The PCS removes the requirement for greyhound permitholders to pay purses if they do not offer live racing. If greyhound permitholders not offering live racing offer intertrack wagering, they would have to pay 3% of the intertrack handle to the host track for purses at the host track.

Intertrack Wagering

The PCS removes the requirement for greyhound permitholders to receive written consent of greyhound permitholders in its market area before accepting intertrack wagers on greyhound races.

B. SECTION DIRECTORY:

- Section 1 amends s. 550.022, F.S., to amend the definition of "full schedule of live racing or games."
- Section 2 amends s. 550.01215(1), F.S., to allow an amendment for the 2011-12 fiscal year to be filed by August 31, 2011.
- Section 3 amends Sect. 550.054(14), F.S., to remove the requirement that a permit converted from jai alai to greyhound conduct a full schedule of live racing.
- Section 4 amends s. 550.0951, F.S., to amend taxes and the transfer of tax credits.
- Section 5 amends s. 550.09514, F.S., to amend purse requirements.
- Section 6 amends s. 550.26165, F.S., to correct a cross reference.
- Section 7 amends s. 550.615, F.S., to allow greyhound permitholder that do not conduct a full schedule of live racing to receive intertrack wagering broadcasts.
- Section 8 amends s. 550.6305, F.S., to incorporate changes.
- Section 9 amends s. 551.104, F.S., to remove live racing as a prerequisite to slot machine licenses.
- Section 10 amends s. 551.114, F.S., to incorporate changes.
- Section 11 amends s. 849.086, F.S., to remove live racing as a prerequisite for cardroom licenses.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Division reports:

The [PCS] is likely to reduce or even eliminate revenue generated from greyhound racing. The division anticipates that certain permitholders may cease to continue or reduce greyhound racing reducing revenue to the state. Depending on the extent to which the tracks reduce or eliminate live greyhound racing, in conjunction with the new taxes, the division estimates that the potential loss to the state could be anything from \$3 million to \$5 million.

REVENUE (PARI-MUTUEL WAGERING TRUST FUND)			
	FY 2011-12	FY 2012-13	FY 2013-14
Taxes and Fees:	(\$3 mil – \$5 mil)	(\$3 mil – \$5 mil)	(\$3 mil – \$5 mil)
Application Fees:	0	0	0
Taxes:	0	0	0
Other (identify):	0	0	0
TOTAL:	(\$3 mil – \$5 mil)	(\$3 mil – \$5 mil)	(\$3 mil – \$5 mil)

EXPENDITURES – FUNDING SOURCE (PARI-MUTUEL WAGERING TRUST FUND)			
Recurring Budget	FY 2011-12	FY 2012-13	FY 2013-14
Salaries/Benefits # of FTE's	0	0	0
Salary Rate	0	0	0
Other Personal Services	Indeterminate Reduction	Indeterminate Reduction	Indeterminate Reduction
Expenses	0	0	0
Contract Services	0	0	0
Other (identify)	0	0	0
Subtotal	Indeterminate Reduction	Indeterminate Reduction	Indeterminate Reduction

EXPENDITURES – FUNDING SOURCE (PARI-MUTUEL WAGERING TRUST FUND)			
Non-Recurring Budget	FY 2011-12	FY 2012-13	FY 2013-14
Other Personal Services	0	0	0
Expense	0	0	0
Operating Capital Outlay	0	0	0
Other (identify)	0	0	0
Subtotal	0	0	0

Non-Operating Expenditures	FY 2011-12	FY 2012-13	FY 2013-14
Service Charge to GR (8% of revenue)	(\$240 k - \$400 k)	(\$240 k - \$400 k)	(\$240 k - \$400 k)
Indirect Costs (DBPR Administrative Overhead)	0	0	0
Other/Transfers	0	0	0
Subtotal	(\$240 k - \$400 k)	(\$240 k - \$400 k)	(\$240 k - \$400 k)

Net Revenue Over/(Under) Expenditures	(\$3mil – \$5mil)	(\$3mil – \$5mil)	(\$3mil – \$5mil)
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2. Expenditures:

The Division reports:

To ensure that integrity of the racing and protect the welfare of the greyhounds, the Division collects specimens from a sample of the contestants. The specimens are subsequently sent to the Racing Lab at the University of Florida to test for impermissible substances. This workload requirement is directly dependent on the amount of live racing being conducted. To the extent that greyhound tracks reduce or eliminate live greyhound racing, the Division would realize a corresponding decrease in the need for OPS funds necessary to employ staff to collect such specimens. The amount is indeterminate at this time and would not likely be realized until Fiscal Year 2011-12 when the full impact on greyhound racing can be certain.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Greyhound permitholders would no longer be required to conduct live racing. This could reduce overhead costs of operating cardrooms, off-track betting and slot machines.

To the extent that live racing is decreased or eliminated, greyhound breeders, owners and trainers could see a decrease in demand for racing greyhounds and an associated decrease in revenues.

D. FISCAL COMMENTS:

The PCS is anticipated to have an indeterminate negative fiscal impact on state funds.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the authority that the counties or municipalities have to raise revenue in the aggregate; or reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES